

Chapter 10

Property Eligibility and Appraisal Requests

Overview

Introduction

This chapter contains information about

- the eligibility of property to be the security for a VA guaranteed loan, and
 - appraisal requests.
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In this Chapter

This chapter contains the following topics.

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10.01 Why An Appraisal Is Required

Value and Condition

An appraisal is required to help ensure that any property which will become the security for a VA-guaranteed loan

- has a value of at least as much as the loan amount, and
 - is in a condition acceptable to VA.
-

10.02 Who Can Request an Appraisal

**Lender
Preferred**

VA prefers that the appraisal be requested by the lender, although it can be requested by any other party to the transaction, provided the appraiser is assigned by VA.

Lenders must ensure that agents and mortgage brokers requesting VA appraisals on their behalf are familiar with the requirements in this chapter.

10.03 The VA Assignment System

Purpose of System

The VA Assignment System (VAAS) allows appraisal requesters to contact VA via the Internet any time of the day or night to obtain VA assignment of a case number and fee appraiser (and construction inspector, if applicable).

Access and User's Guide

A VAAS User's Guide is available online. The Internet address is

<http://vaas.vba.va.gov>.

Problem Solving***Correct web browser?***

Netscape Navigator 4.x or Microsoft Internet Explorer 4.x must be used to access VAAS.

Problem with user ID or password or fee panel-related problem?

Contact the VA office of jurisdiction for the property (Appendix A is a list of VA offices).

Technical problem with the VAAS software?

Contact the VA Help Desk in Philadelphia at (215) 381-3050.

No access to the Internet or unable to resolve problem with VAAS?

Assignments can be requested on a limited basis by telephone, telefax or in writing.

Reference: See Section 10.04 for more information.

10.04 How to Request an Appraisal

Procedure

Follow the steps in the table below to request an appraisal.

Step	Action
1	<p>Ensure that the property is eligible for appraisal and all other appraisal request requirements can be satisfied (Sections 10.05 through 10.10). Contact the VA office of jurisdiction for the property if there are</p> <ul style="list-style-type: none">• questions about the property's eligibility, or• if the property is not eligible for appraisal but is already the security for a VA loan. <p>Every property eligible for the Lender Appraisal Processing Program (LAPP) should be processed under LAPP.</p>
2	<p>Access the VA Assignment System (VAAS) per Section 10.03, and provide all necessary information about the case. VAAS will:</p> <ul style="list-style-type: none">• Assign<ul style="list-style-type: none">– a case number (in liquidation cases, this will be the existing VA loan number for the property, as provided by the requester)– an appraiser (since VA is required by law to select the fee appraiser on a rotational basis from a panel maintained by VA), and– an inspector, if appropriate, and• produce a completed VA Form 26-1805-1, VA Request for Determination of Reasonable Value, which includes the above information.

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10.04 How to Request an Appraisal, Continued

Procedure (continued)

Step	Action
3	<p>The same day as the assignment is made, e-mail, telefax or mail the VAAS-generated VA Form 26-1805-1 and any other required documentation to the appraiser assigned. Keep a copy for your records.</p> <p>If a liquidation appraisal, include the name and telephone number of the current or last known occupant. If the property is vacant, also include the keys to the property, or sufficient information to enable the appraiser to gain access to the property, for example, the name and telephone number of a local person to contact.</p> <p>If appraised as “Proposed or Under Construction”, also</p> <ul style="list-style-type: none">• ensure that the construction exhibits meet the requirements in Section 10.10• mark the case number assigned on the outside of each set of the construction exhibits• include a set of the construction exhibits with the appraiser’s VA Form 26-1805-1. This will be considered the VA file copy, and• send the inspector, if assigned, a copy of VA Form 26-1805-1 and a set of the construction exhibits.

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10.04 How to Request an Appraisal, Continued

If No Access to VAAS

If Internet access to VAAS is not available, complete Step 1 in the above procedure.

Then complete a VA Form 26-1805, VA Request for Determination of Reasonable Value. A typed, fully completed form is required for every request, except

- properties already listed on a valid VA Form 26-1843a, Master Certificate of Reasonable Value (See Section 13.03, Step 6)
- loans for alterations, improvements or repairs of \$3,500 or less (See Section 10.05), or
- partial release of the security for a VA-guaranteed loan (See Section 10.05)

For LAPP Cases, write “LAP” as the prefix for the case number in Item 1 of VA Form 26-1805 and write “LENDER APPRAISAL PROCESSING PROGRAM” in capital letters under the lender’s name and address in Item 5. This lets the appraiser know to forward the appraisal report to the lender, not VA, for processing.

For liquidation cases, write “LIQUIDATION APPRAISAL” in capital letters in Item 28 of VA Form 26-1805. Also include the name and telephone number of the current or last known occupant. If the property is vacant, the request must also include the keys to the property, or sufficient information to enable the appraiser to gain access to the property (such as, the name and telephone number of a local person to contact).

Then telephone the necessary information to the VA office of jurisdiction for the location of the property, or telefax or mail the VA Form 26-1805 and any exhibits to that office.

Finally, for telephoned or telefaxed requests

- enter the case number assigned by VA in Item 1 of VA Form 26-1805 and the name of the appraiser (and inspector, if assigned) in Item 43, and
 - complete Step 3 in the above procedure.
-

10.05 Types of Property Eligible for Appraisal

**Lender
Responsibility**

If the lender fails to exercise due diligence in determining appraisal eligibility, VA may deny or reduce payment on a future claim based on the ineligibility of the property.

Properties not eligible for appraisal and other appraisal request restrictions are described in Sections 10.06 and 10.07.

**Existing
Construction**

A home which has either been previously owner-occupied or had all onsite and offsite improvements fully completed for one year or more is eligible.

**New
Construction**

Newly completed properties (completed less than one year and never owner-occupied) are eligible if either

- covered by a one-year VA builder's warranty
- enrolled in a HUD-accepted ten-year insured protection plan, or
- built by a veteran, as the general contractor, for his/her own occupancy.

Reference: See Section 10.08 for details.

Continued on next page

10.05 Types of Property Eligible for Appraisal, Continued

**Proposed or
Under
Construction**

Property is eligible for appraisal prior to construction or during construction, based on proposed construction exhibits.

Reference: See Section 10.10 for details regarding construction exhibits.

These properties can be appraised either

- individually, or
- as a group of 5 or more on a “master” appraisal.
Each model or house type is appraised at the same time by the same fee appraiser on a separate appraisal report. All of the properties are included on the same *VA Master Certificate of Reasonable Value*.

These properties must be inspected by VA or HUD during construction (See Chapter 14) to ensure that the property

- is built according to the construction exhibits used in the appraisal, and
- meets VA Minimum Property Requirements for proposed construction (See Section 12.02).

Only a final inspection is required if either

- the property is to be covered by a ten-year insured protection plan (See Section 10.09), or
- VA can rely on local building authority inspections in lieu of first and second stage VA inspections (See Section 14.03).

Note: Properties which are fully completed except for the “customer preference” items described in Section 10.08 are eligible for appraisal as “new construction” as described above.

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10.05 Types of Property Eligible for Appraisal, Continued

**Manufactured Home
Classified as
Real Estate**

To be eligible for a VA loan term of 30 years, a manufactured home must be

- classified and taxed as real property
- properly affixed to a permanent foundation (Section 12.10)
- substantially conform with VA MPRs (Chapter 12), and
- conform with applicable building code and zoning requirements for real estate.

References: See

- Section 10.10, *Construction Exhibits*,
- Section 11.12, *Other Property Types and Situations*,
- Section 13.06, *notice of Value Conditions and Requirements*, and
- Section 14.04, *Manufactured Homes Classified as Real Estate*.

**Other
Manufactured
Homes**

Modular homes are eligible, provided they are covered by a HUD structural engineering bulletin, or constructed to the standards of the State in which the factory is located and receive that State's approval certification. They are delivered to the building site in sections, but are not attached to a chassis supported by wheels. For homes processed as "proposed or under construction. (See "Modular Construction" in Section 10.10.)

For traditional manufactured homes (not classified as real estate and attached to a chassis which is supported by wheels), see Title [38 CFR 36.4200](#) series.

[\[38 CFR 36.4200\]](#)

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10.05 Types of Property Eligible for Appraisal, Continued

**Property to be
Altered/
Improved/
Repaired**

A VA-guaranteed loan may be acquired to alter, improve or repair a property owned and occupied by the veteran as the veteran's home. The property is eligible for appraisal either

- prior to being altered, improved or repaired. (When extensive alterations, improvements or repairs are to be made, VA must determine on a case-by-case basis at the time of the appraisal request which of the construction exhibits in Section 10.10 are required. All work must be inspected, to the extent determined appropriate by VA on a case-by-case basis.), or
- after being altered, improved or repaired.
Note: This usually involves a VA-guaranteed loan for refinancing purposes. No construction exhibits or inspections are generally required, if the work was completed prior to the appraisal.

In either situation, all work must be acceptably completed before VA guaranty of the loan.

Reference: For energy efficiency-related alterations or repairs, see Section 7.03.

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10.05 Types of Property Eligible for Appraisal, Continued

Security for Existing VA Loan

Property securing an existing VA loan is eligible for appraisal for the following purposes:

Refinancing:

Either

- cash-out, which requires both an appraisal and a VA notice of value, or
- interest rate reduction only, which requires neither an appraisal nor a notice of value. However, if the new loan balance will exceed the original loan amount by 5% or more, the lender may wish to consider requesting an appraisal.

Partial release of security:

The request must be in writing and include any information which the VA office of jurisdiction considers necessary. A formal appraisal is not required if there is sufficient information for VA staff to determine the reasonable value of the property being released and the value of the security remaining.

Foreclosure:

When the VA loan is in default. A liquidation appraisal should be requested at the time the notice of sale is forwarded to VA, but no later than 30 days prior to the estimated or scheduled sale date. The lender/holder/servicer is responsible for assisting the appraiser in gaining access to the interior of the property.

Reference: See Section 11.13 for more information about interior access.

10.06 Properties Not Eligible for Appraisal

Properties Not Likely to Meet MPRs

Property in a badly deteriorated condition is not eligible for appraisal unless VA agrees there is a reasonable likelihood that it can be repaired to meet VA Minimum Property Requirements (MPRs) prior to loan closing.

Other MPR-related restrictions are outlined in Chapter 12.

Location-Related Problem

Property is not eligible for appraisal if the improvements are or will be located in

- a Special Flood Hazard Area (SFHA) and either
 - it is proposed/under/new construction with elevation of the lowest floor below the 100 year flood level, or
 - flood insurance is not available

Reference: See Section 11.12.

- an area subject to regular flooding for whatever reason, whether or not it is in an SFHA (See Section 11.12)
 - a Coastal Barrier Resources System area (See Section 11.12)
 - an airport Noise Zone 3, if proposed or under construction (See Section 11.12)
 - a transmission line easement involving high-pressure gas or liquid petroleum or high voltage electricity, if any part of the residential structure is located within the easement (See Section 12.07), or
 - an area susceptible to geological or soil instability (earthquakes, landslides or other history of unstable soils), if proposed/under/new construction and the builder cannot provide evidence that either the site is not affected or the problem has been adequately addressed in the engineering design (See Section 10.10).
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10.06 Properties Not Eligible for Appraisal, Continued

**Condo Not
Approved**

A condominium must be acceptable to VA before any unit in the project can be eligible for VA loan guaranty. To avoid an unnecessary appraisal fee, a condominium unit should not be appraised unless there is a reasonable likelihood that the project will be accepted by VA or HUD prior to loan closing.

Reference: See Chapter 16.

**Ownership Not
Fee Simple**

Property involving a less than fee simple ownership (for example, leaseholds, cooperatives, ground rental arrangements) is not eligible for appraisal without prior VA approval of the specific legal arrangement or project. Submissions to VA Central Office (262A) must include

- details of the ownership arrangement
 - copies of leases or other instruments creating the estate, and
 - recommendations of the VA office of jurisdiction.
-

**Other Ineligible
Properties**

See Section 10.07.

10.07 Other Appraisal Request Restrictions

No Duplicate Appraisals

No new appraisal can be requested on property which already has a valid VA value determination.

The process for changing notices of value is outlined in Chapter 13.

Builder ID Required

For any property appraised as either “proposed or under construction” or “new construction”, the builder must have a valid builder identification number prior to a VA notice of value being issued.

To obtain and maintain a valid, VA-assigned builder ID, all of the following must be fully-executed, up-to-date and on file at the VA office of jurisdiction over the location of the property:

- VA Form 26-421, Equal Employment Opportunity Certification.
 - VA Form 26-8791, VA Affirmative Marketing Certification.
 - The identifying information and certifications shown in Figure 1 of this chapter, as worded and in the order shown, and either on the builder’s letterhead or attached to a statement on the builder’s letterhead which references it.
-

No Appraisal Due to Sanction

Property is ineligible for VA appraisal if any party of interest to the transaction, other than the purchaser, is debarred Government-wide, or otherwise excluded from participation in the Loan Guaranty program due to a VA-imposed sanction for substantially prejudicing a veteran by either

- failing to correct justified construction complaint items
 - violating VA Minimum Property Requirements
 - deviating from plans and specifications without VA approval
 - failing to honor other contractual obligations on houses previously built and sold with VA financing, or
 - using a sales contract or marketing method or practice which VA considered to be unfair or unduly prejudicial to the veteran involved.
-

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10.07 Other Appraisal Request Restrictions, Continued

**No Appraisal
Due to Sanction
(continued)**

When the sanctioned party is a builder, this restriction applies to any property still owned by the builder, including houses under construction and existing houses. VA's refusal to appraise will not be affected by either the fact that

- a fee inspector approved the work on which the sanction was based, or
- the builder changes the company's name or organization or becomes a principal or officer in another organization.

Note: See Section 17.01. Lenders are responsible for identifying builders on the GSA list. For sanctioned builders not on the GSA list, each VA office of jurisdiction will either

- periodically provide lenders with a list of such builders to check or
 - assume responsibility for ensuring that those builders do not participate in the VA loan guaranty program.
-

**Building Code
Enforcement**

If there are local building authority requirements due to building code enforcement or urban renewal, either

- provide evidence with the appraisal request that those requirement(s) are satisfied, or
- the notice of value will be conditioned to require such evidence.

Reference: See Section 13.06.

**Potential
Restriction to
Veterans Under
Contract**

During times of heavy VA workload or limited resources, a VA field station may notify lenders that it will temporarily accept only appraisal requests involving a veteran under contract. In that situation, the appraisal request must either

- be accompanied by a copy of the fully-executed purchase agreement, or otherwise clearly identify the transaction with a proposed VA loan, or
 - indicate that the appraisal is for a purpose not affected by this restriction (such as, proposed construction, refinancing, foreclosure, or a loan for alterations/improvements/repairs).
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10.07 Other Appraisal Request Restrictions, Continued

**Potential
“Master”
Appraisal
Restrictions**

During times of heavy VA workload or limited resources and with VA Central Office concurrence, a VA field station may temporarily refuse a builder’s requests for “master” appraisals if experience with that builder or location indicates that a minority of the units will receive VA financing. In that situation, the builder may obtain an individual appraisal on any property sold to a veteran.

With VA Central Office concurrence, a VA field station may also limit the number of

- units in a “master” appraisal to the number which it believes can be successfully marketed during the validity period of the VA value notice, or
- optional items of equipment or variations from basic house types to be included in a “master” appraisal.

**If No Inspector
Available**

In areas where there is no qualified VA or HUD fee inspector, properties cannot be appraised until they qualify as

- “new construction” (Section 10.08), or
 - “existing construction” (Section 10.05).
-

10.08 New Construction

Definition

To be eligible for appraisal as “new construction”, the property must be fully completed or completed except for customer preference items (such as, interior wall finishes, floor covering, appliances, fixtures and equipment, etc.) and those improvements for which escrows are permitted (See Section 9.09). This eliminates the need for construction exhibits.

Note: Properties which have been previously owner-occupied, regardless of date of completion, or fully completed for at least one year are considered to be “existing construction” for VA appraisal purposes.

**Builder’s
Warranty
Coverage**

VA will accept a one-year VA builder’s warranty to the veteran in lieu of VA or HUD inspections during construction. This will

- allow veterans to purchase a newly constructed home of their choice, even though that home was not inspected by VA or HUD during construction, and
- provide veterans and the Government with a measure of protection against defects in equipment, material or workmanship.

VA value notices for these cases will be conditioned to require

- the veteran purchaser’s written acknowledgment that, “I am aware that VA did not inspect this property during construction and that VA assistance with construction complaints will be limited to defects in equipment, material and workmanship reported in writing during the one-year VA builder’s warranty period.” See Section 13.06, “Not Inspected” Acknowledgment.”
- a one-year VA builder’s warranty on VA Form 26-1859, Warranty of Completion of Construction. See Section 13.06.

VA acceptance of a builder’s warranty in lieu of construction inspections is a privilege available only to builders who routinely provide good quality construction. Builders who are required to obtain VA inspections during construction will be notified by VA in writing. VA, not lenders, will monitor builder compliance with this restriction.

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10.08 New Construction, Continued

**Insured
Protection Plan
Coverage**

VA will accept a ten-year insured protection plan in lieu of the above one-year VA builder's warranty.

Reference: See Section 10.09 for details.

**Veteran as
Contractor**

Appraisal requests involving veterans who are acting as the general contractor in building a home for their own occupancy must include

- any construction exhibits needed for appraisal purposes, and
 - the veteran's written agreement to pay for any special VA fee inspections that may be needed to ensure that the work meets VA Minimum Property Requirements for existing (not proposed) construction.
-

10.09 Ten-Year Insured Protection Plans

Policy

A ten-year insured protection plan is required only when the builder chooses to have a property appraised as either

- “proposed or under construction” with only a final VA or HUD inspection during construction in an area where local building authority inspections are **not** acceptable in lieu of VA first and second stage inspections, or
- “new construction” with **no** VA builder’s one-year warranty coverage.

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10.09 Ten-Year Insured Protection Plans, Continued

Details

VA will accept a ten-year insured protection plan which is acceptable to HUD in lieu of a full complement of VA or HUD inspections during construction. This will allow veterans to purchase a newly constructed home of their choice, even though that home received only a final VA or HUD inspection or no VA or HUD inspection during construction.

Appraisal requests can be made as either

- “proposed or under construction” (Section 10.05). Construction exhibits per Section 10.10 and a final VA or HUD construction inspection per Chapter 14 are required, or
- “new construction” (Section 10.08). Neither construction exhibits nor VA or HUD inspections are required.

VA value notices for these cases will be conditioned to require

- In all cases – Evidence of enrollment of the property in a ten-year plan acceptable to HUD (Section 13.06).
- If the property is appraised as “proposed or under construction” – A one-year VA builder’s warranty on VA Form 26-1859, Warranty of Completion of Construction (Section 13.06).
- If the property is appraised as “new construction” – The veteran purchaser’s written acknowledgment that, “I am aware that VA did not inspect this property during construction and that it does not qualify for VA assistance with construction complaints.” See Section 13.06 (“Not Inspected Acknowledgement”).

VA acceptance of insured protection plan coverage in lieu of construction inspections is a privilege available only to builders who routinely provide good quality construction. Builders who are required to obtain VA inspections during construction will be notified by VA in writing. VA, not lenders, will monitor builder compliance with the restriction.

10.10 Construction Exhibits

General Requirement

Construction exhibits are required for properties appraised as “proposed or under construction”. They are **not** required for properties appraised as either “new construction” or “existing construction.”

Required Exhibits

Each set of proposed construction exhibits must include

- specifications on VA Form 26-1852, Description of Materials, signed and dated by the builder in all cases and by the veteran when one is under contract in an individual case processed as “proposed or under construction”. Other specification formats are also acceptable, provided they are signed and dated by the builder and veteran as described above and are sufficiently detailed for VA appraisal and compliance inspection purposes. .
- plot plan which includes the location of the well/septic systems, if applicable.
- all exterior building elevations.
- foundation or basement plan.
- plan of all floors.
- sectional wall details.
- a certification signed and dated by a technically qualified and properly identified individual (such as, builder, architect, engineer, etc.) which states, “I certify that the construction exhibits for (identification of the property by house type, lot, block, subdivision name, etc.) meet all local code requirements and are in substantial conformity with VA Minimum Property Requirements, including the energy conservation standards of the 1992 Council of American Building Officials’ Model Energy Code and the requirement for lead-free water piping.” VA will accept [HUD Form 92541](#), Builder’s Certification of Plans, Specifications and Site, in lieu of this certification.

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10.10 Construction Exhibits, Continued

Number and Distribution of Exhibit Sets

If inspections during construction are to be made by

- VA, then two sets of construction exhibits are required. See Section 10.04 (Step 3), regarding distribution details.
 - HUD, then only one set of construction exhibits is required. The appraisal requester will include that set with the assignment notice to the appraiser.
-

Reduced-Size Plans

VA highly recommends the use of reduced-size construction drawings to save reproduction, mailing and storage costs for all parties involved. Electronic submission (E-mail Attachment, Diskette, or CD-ROM) is anticipated as the preferred process of the future. Reduced size plans usage will enhance the transition to this business process.

Building plans, elevations and details, traditionally drawn at ¼ inch scale and larger, can be photographically reduced or computer-drawn to be clearly readable on 8½ by 14 inch sheets. While VA will currently accept 11 by 17 inch sheets, this size is not compatible with standard industry scanner equipment generally available to VA and program participants. Therefore, this size is discouraged and in the future may be eliminated as an option. Other exhibits normally provided in an 8½ by 11 inch format (such as specifications, certifications, etc.) must not be further reduced.

Changes to Exhibits

See Section 14.07 for information about changing the construction exhibits after they are used for VA appraisal purposes, but prior to loan closing.

**“Master”
Appraisals**

In addition to the other requirements in this section, a “master” appraisal request must include a

- Plat showing the locations of each lot or unit to be included in the appraisal,
- completed VA Form 26-1843b, Master Certificate of Reasonable Value Worksheet, and
- Building Program Statement, which includes
 - total number of dwellings to be built in the project
 - number of dwelling contemplated in the primary construction phase, and anticipated starting and completion dates of that phase
 - arrangements regarding the construction, dedication and maintenance of streets and utilities, and
 - information regarding any special assessments to be assumed by purchaser.

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10.10 Construction Exhibits, Continued

Modular Construction

In addition to the other requirements in this section, an appraisal request involving modular construction must include either

- evidence of coverage by a HUD structural engineering bulletin, or
 - a certification of approval by the State in which the unit is fabricated. This requirement will be made a condition of the VA value notice if not submitted with the appraisal request.
-

Manufactured Home Classified as Real Estate

Any case in which the foundation has not been fully completed and the manufactured home unit installed is considered to be “proposed or under construction.”

In those cases, each set of construction exhibits must include

- specifications for the foundation and a plot plan as required for conventional site-built homes
 - in double-wide homes, a detail of the mating line piers, if applicable
 - a foundation plan showing the location and a cross-sectional detail of the supporting piers. In all cases, include drawings of the foundation anchorage details.
 - a floor plan of the unit and exterior elevation drawings/photographs of the front and rear of the home, unless the unit is physically located on the site to be appraised or the appraiser has access to the unit on the dealer’s lot. These may be provided in the manufacturer’s advertising or technical installation manual.
 - in States or localities that require the underside of the unit to be completely enclosed, details of the perimeter enclosure that comply with those requirements.
 - since site conditions vary considerably from location to location, any revision needed to information provided in the manufacturer’s technical installation manual in order to comply with local requirements.
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10.10 Construction Exhibits, Continued

Manufactured Home Classified as Real Estate (continued)

- appropriate construction exhibits for any other on-site improvements, such as decks, enclosed patios, garages and carports, etc., to be financed with the loan proceeds.

Reference: Also See Section 12.02 for specific Minimum Property Requirement-related information that could impact what is required in the construction exhibits.

Property to be Altered/ Improved/ Repaired

Reference: See Section 10.05.

Veteran as Contractor

Reference: See Section 10.08.

Geological or Soil Instability

In areas that have a history of geological or soil instability, the builder must submit either

- a certification that to the best of the builder's knowledge and belief, any geological or soil-related hazard and no portion of the construction will rest on fill, or
- evidence from a qualified geologist or engineer that the subject site either does not present unusual geological soils-related hazards or such hazards have been compensated for in the engineering design of the improvements.

Qualified geologists are State licensed or are a member of a national or State organization which requires responsibility, experience, education and demonstrated ability in the field of engineering geology.

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10.10 Construction Exhibits, Continued

**If Inspections
to be Made by
HUD**

If HUD will make the inspections during construction, the appraisal request must include

- The construction exhibits required above, except for the certification regarding those exhibits.
- The certification directly above item 38 on VA Form 26-1805.
- A certification by the builder or lender that the construction exhibits submitted to VA, including any HUD-accepted change orders, are identical to those submitted to HUD.
- A copy of the final HUD inspection report countersigned by HUD or a HUD Direct Endorsement underwriter, or a letter from HUD that the property has been completed in accordance with the approved plans and specifications and acceptable change orders, if any. This requirement will be made a condition of the VA notice of value if not submitted with the appraisal request.
- If the final HUD inspection report stipulates that certain incomplete work, such as street improvements, will be completed according to requirements specified by HUD elsewhere, a copy of the documentation that states those requirements must be furnished. In that situation, there must also be a VA-approved escrow agreement and a subsequent VA or HUD reinspection report or other acceptable evidence of satisfactory completion. The veteran cannot be charged the cost of that reinspection.

If there is a question about HUD consistency with VA in the interpretation and application of VA/HUD Minimum Property Requirements, the VA field station may impose a VA inspection, at an appropriate inspection stage, in addition to the HUD inspections.

10.11 Conversion of HUD Value Notices for VA Use

Policy

Generally, HUD value notices cannot be converted for VA use, since VA is required by law to assign fee appraisers and HUD allows lenders to select appraisers.

There is one exception.

Exception

To eliminate duplicative efforts and unnecessary appraisal costs for veterans, VA staff will convert a HUD conditional commitment issued by either HUD staff or a Direct Endorsement lender to a VA Certificate of Reasonable Value (CRV) if **all** of the following requirements are met:

- The appraiser is
 - a VA fee panel member, and
 - not a staff employee of the lender.
- The property
 - was appraised as an individual case (that is, not listed on a valid HUD “master” value determination)
 - did not already have a valid VA value determination on the date of the purchase agreement, and
 - was appraised for HUD purposes and the lender documents a legitimate need to change to VA financing after the appraisal was made. That is, the buyer changed from HUD to VA financing while under contract, or the property is being purchased with VA financing after a contract with a previous buyer requiring HUD financing fell through.
- The lender submits to the VA office of jurisdiction
 - the lender’s written request for conversion, which includes a certification that identifies the property and addresses **each** of the above requirements
 - a completed VA Form 26-1805, Request for Determination of Reasonable Value
 - the HUD value notice, and
 - the original appraisal report, including photographs and all other addenda.

VA will list applicable VA requirements and conditions on the CRV.

10.12 Fees For Appraisals and Inspections

Policy	<p>The maximum appraisal and inspection fees allowed by each VA field station is based on customary fees for similar services in that station's jurisdiction. Regardless of the amount of the maximum fee, appraisers and inspectors must not charge veterans more than they charge other clients for similar services.</p>
Liquidation Appraisal Fees	<p>The appraisal requester will pay the appraiser's fee and the expense will be included in the claim under loan guaranty.</p> <p>If the borrower attempts to pay the full arrears after the appraisal is obtained, the holder must include the cost of the appraisal in its computation of the total amount delinquent.</p>
“Master” Appraisal Fees	<p>Veterans cannot be charged for any portion of a “master” appraisal fee.</p> <p>Total maximum “master” appraisal fee = (Fee per House Type x Number House Types x Number Appraisers Assigned) + (Fee per Lot x Number Lots) + (Fee per Option x Number Options).</p>
Construction Inspection Fees	<p>The builder, sponsor, or lender will pay the inspection fees, which are not to exceed \$65 per inspection unless otherwise specified by the VA field station.</p> <p>While the veteran can be charged for all regular inspections of an individual property, the veteran cannot be charged for reinspections due to</p> <ul style="list-style-type: none">• the builder's noncompliance with VA requirements• the builder's failure to provide access to the property or have the work ready for inspection, or• the inspector's failure to arrive at the appointed time.

Continued on next page

10.12 Fees For Appraisals and Inspections, Continued

Mileage Fee

If a property is located outside of the fee person's normal business area, an additional fee may be charged **only** for that portion of travel beyond the normal business area and at a mileage rate not to exceed that allowed for federal employee travel.

That travel must be by the most direct route and the billing must include a breakdown of the mileage. VA offices will consider adding more fee panel members to provide better coverage in areas where mileage-related fees are excessive.

Fee Payment Problems

VA offices may allow a fee panel member to require payment in advance from a particular appraisal or inspection requester if both

- a regular, ongoing payment problem that is well outside of normal business practices is documented by the fee person, and
 - the party responsible for payment fails to reasonably respond to the fee person's written notice about the problem and its possible consequences.
-

Figure 1: Builder Information and Certifications

[on builder's letterhead]

Builder Information and Certifications VA Loan Guaranty Program

1. This is to certify that this company:
 - a) Will not use any marketing practices or sales contracts which include features considered by VA to be unfair or prejudicial to veteran-purchasers per Section 9.08 of the VA Lenders Handbook. I understand that the closing of the loan denotes that the builder has determined that the contract is acceptable to VA.
 - b) Will construct every property which is to become the security for a VA-guaranteed loan to substantially conform to applicable building codes, applicable VA requirements and the standards of quality as measured by acceptable trade practices.
2. In cases processed by VA as “proposed or under construction”, I understand that all construction must equal or exceed that shown or described in the construction exhibits used by VA to appraise the property and that, in any conflict between those construction exhibits and the applicable VA minimum property requirements, the latter will govern; and that VA will consider changes to those exhibits to be binding only when they are listed on a properly executed VA Form 26-1844, Request for Acceptance of Changes in Approved Drawings and Specifications; and that I will be proceeding at my own risk in changing or deviating from those exhibits without advance VA approval.
3. A fully executed VA Form 26-421, Equal Employment Opportunity Certification, and VA Form 8791, VA Affirmative Marketing Certification, is either attached or was previously submitted to VA.
4. Names of all persons who have a controlling or proprietary interest in this company or are principal shareholders, officers or directors. This company agrees to keep this list updated with VA:

Name (*Type or print*) _____

Title _____

Signature _____

Date _____

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